



Rating
Buy

Asia
Hong Kong

Consumer
Retail / Wholesale Trade

Company
**Lifestyle
International Alert**

Reuters 1212.HK	Bloomberg 1212 HK	Exchange HKG	Ticker 1212
ADR Ticker LFSYY	ISIN US53223Q1022		

Date
20 March 2015

Company Update

Price at 19 Mar 2015 (HKD)	13.46
Price target - 12mth (HKD)	19.40
52-week range (HKD)	16.70 - 13.32
HANG SENG INDEX	24,469

Anne Ling **Winnie Mak**
Research Analyst Research Analyst
(+852) 2203 6177 (+852) 2203 6178
anne.ling@db.com winnie.mak@db.com

Key takeaways from NDR

Guidance for payout ratio

According to management during the 2014 results analyst meeting, the company will maintain a dividend payout ratio of 40% and the 2015 payout will not be less than 2014's HKD0.591/share. Management further clarifies that **such guidance will be applied in the next few years and the target is the absolute dividend amount will not be less than prior year's, with a general payout guidance of 40%, whichever is higher.**

Performance of new TST store better than expected.

Based on union card data, the new TST store recorded more than 50% of total sales from tourist spending vs 40%+ for its CWB store. Management expects sales ramp-up at its new TST store to be faster than the old TST store due to the former's better location and hopes to capture most of the sales generated by the old store in a year. The commission rate at the new TST store is higher at 25.6% vs 23.7% at the CWB and old TST stores. This is mainly due to the difference in product mix with higher sales from cosmetics. The company will add an additional 10,000sf to the new TST store before May and more catering business will be introduced to the store.

China, its key stores performing better than peers

Although most Chinese department stores reported a decline in sssg in 2014, Lifestyle's stores in Shanghai and Suzhou continued to report positive sssg. We believe the same continues in 2015 ytd. In view of the excess capacity in department stores and shopping malls, and operators making changes to their format to more lifestyle focus, we believe creating shopping experience will require soft skills (knowhow and experience). In our view, Lifestyle would be able to differentiate itself from others in this aspect.

Stock data

Market cap (HKDm)	22,801
Market cap (USDm)	2,939
Shares outstanding (m)	1,694.0
Major shareholders	Thomas Lau & CTF (72.29%)
Free float (%)	28
Avg daily value traded (USDm)	1.713

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Sales (HKDm)	5,970	6,254	6,601
Net Profit (HKDm)	2,144.0	2,170.8	2,374.3
DB EPS (HKD)	1.31	1.32	1.44
PER (x)	11.3	10.2	9.4
Yield (net) (%)	4.0	4.4	4.9

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. **FOR OTHER IMPORTANT DISCLOSURES PLEASE VISIT**

<http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=1212.HK> MCI (P) 148/04/2014.